

Remarks and a Question-and-Answer Session in Seattle, Washington
October 21, 2010

The President. Hello, everybody. Have a seat, have a seat. Have a seat. Well, thank you so much for taking the time to be here. And I am just thrilled to be able to join you and have a little conversation in the backyard. And I want to obviously start by thanking the Fosses for their extraordinary hospitality. Give them a big round of applause—not only Cynn timer and Erik, but also Anna and Elsa, although they said that since they get out of school today, it's okay. [Laughter] They thought that was a pretty good deal. They did not mind.

In addition, I want to make sure that everybody has had a chance to meet your outstanding Senator, Patty Murray, who's here. And I want to see if there are any other elected officials that I've got to introduce. We do have Jim McDermott, who's doing an outstanding job in the House of Representatives. The outstanding mayor of Seattle, Mike McGinn, is here. And one of my favorite Governors in the country, Christine Gregoire is here.

So we really try to organize these as conversations, as opposed to me making a speech. I'll be making a big speech later. So if you guys want to tune in or anybody wants to come on over, you can check it out. But this is as much an opportunity for me to hear from you as it is a chance for me to speak. But I just want to say a few things up top.

My economic advisers actually put out a report today, and they put out a lot of pieces of paper, but this one we thought was really interesting because it had to do with reflections on what's happening to women in the economy. And obviously, the economy is something that's on everybody's minds right now. It's something that we've been struggling with for the last 2 years since I was first sworn into office.

We had a financial crisis that was unprecedented, the worst financial crisis we had seen since the Great Depression. It caused a massive recession. In the 6 months before I was sworn in, we lost 4 million jobs. We lost 750,000 the month I was sworn in; 600,000 the month after that; 600,000 the month after that. So we lost almost 8 million jobs before any of the economic policies we put into place were able to take effect.

And so we've got a big hole that we're digging ourselves out of, and obviously, everybody here in one way or another has either seen the impact of it or seen the impact on one of your family members or your friends, your community.

Now, it turns out that men have gotten really hard hit in this—during this recession. They've actually lost jobs a little bit faster than women have, particularly in the construction industry because so many of them were involved in the construction trades, and when the housing bubble burst, that really had a significant impact.

But what's interesting is that the economy has changed, where women have made such enormous strides that they now constitute fully half of the workforce. They actually constitute probably more than half of the money that's coming in to middle class families. And business—small-business owners are now a much higher proportion women than they used to be.

And so when you talk about what's happened to the middle class, part of what you're talking about is what's happening to women in the workforce.

We've made enormous strides since the 1960s, when my grandmother was a secretary at a bank and wasn't expected to go to college and had to work her way up until she finally became the vice president of the bank, but still hit a glass ceiling and could never quite go as far as her talents could take her. That's not as true as it used to be. But what is still true is, we still have a significant gender gap when it comes to wages.

Women, because they're running more and more small businesses, are now having a tougher time getting financing and loans than male-owned businesses are. And I think women, because—at least in my household—tend to have a better sense of the family budget, they're mindful of how tough not just this recession has been, but the last decade has been on middle class families. It turns out that from 2001 to 2009, the average middle class family lost 5 percent of their income. Their wages actually went down during that period. And between 2001 and 2009, job growth was actually more sluggish than at any time since World War II, even more sluggish than it's been over the past year.

And so as I travel around the country and I talk to families, what they're concerned about is not just the immediate recovery from the recession, but also what does the future hold in terms of middle class families being able to grow, being able to afford health care, being able to pay the bills, being able to send their kids to college. Those are the challenges that I think we're going to have to continue to confront.

And we can't confront those unless we understand that our economy works only when everybody's participating. And that means that things like equal pay for equal work aren't just women's issues; those are middle class family issues, because how well women do is—will help determine how well our families are doing as a whole. It means that everybody's got to have access to financing for small businesses. And one of the things we're very proud of over the last couple of years, with the help of people like Patty and Jim, is that we've massively expanded lending to small businesses so that they can help create the kind of opportunities not only for themselves, but also for their workers, that ends up being the driver of our economy.

It means that we've got to make sure that our girls are getting as good of an education as our boys, particularly in math and science, where traditionally they've lagged. And as the father of two daughters, this is something that I spend a lot of time thinking about.

And so with, again, the help of Patty and Jim and others, we've been able to shift billions of dollars that were going to these unwarranted subsidies to banks and now put them directly into the student loan programs and to Pell grants so that more and more people are able to get the kind of higher level training that they need to compete in this new global economy.

So here's the bottom line: Where the economy was shrinking by 6 percent when I took office, the economy is now growing again; where we were losing 750,000 jobs a month, we've now seen 9 consecutive months of private sector job growth. So we've made progress, and we're moving in the right direction. But we've still got a lot of work to do.

And what I want to hear from you about is how you think we can be even more effective in helping you meet the challenges that your families face or your businesses face. We want to partner with the State, we want to partner with cities to figure out how are we fostering economic development that pulls everybody in, because one thing I'm absolutely certain about—and this is one of the reasons I ran for President in the first place—is that America succeeds best when everybody's got a shot, not just when a few are doing well. The beating heart of our economy has always been a growing and expanding middle class, where families are able to see a vision about where they might take their lives and pursue it, and if they work

and they put effort into it, then they can succeed. If they—if that happens for everybody, then we all succeed.

And unfortunately, over the last decade, that wasn't what was happening. And it's going to take us some time to turn it around. But I'm confident that we're now moving in the right direction, but we've still got more work to do, which is part of the reason why this election coming up is so important.

But as I said, what I'm really interested in is hearing from you what are the day-to-day concerns and challenges and roadblocks that you see for your success, because that'll help shape how we move our agenda forward over the next couple of years.

Now, what I want to do, if you don't mind, is I'm going to start with a couple of small-business owners who are here, because I think they're indicative of the positive changes that have taken place in the economy. These are women-owned businesses that are doing outstanding work and hiring a lot of people here in the local economy. And then we're just going to open it up, and people can ask questions, give me comments, give me suggestions.

So what I want to do is start with Christina Lomasney, who is the owner of Modumetal. And she's also a physicist, so I think this is very cool because—and so, Christina, tell me a little bit about your business. And then tell me sort of how you think Government can be helpful in seeing Modumetal grow even faster.

Christina Lomasney. Mr. President, as you said, I'm Christina Lomasney. I'm the president of Modumetal, which is a company that's dealing in advanced metals manufacturing in Seattle. I started the company with my cofounder, John Whitaker, in 2007 as an outgrowth of an environmental restoration company called Isotron that I started in 2001.

[At this point, Ms. Lomasney continued her remarks, concluding as follows.]

Last year, Modumetal received a grant from the United States Department of Energy that was made possible by the American Recovery and Reinvestment Act, and that grant made it possible for us to conduct some important business development activity—or rather, product development activities inside of the company.

Today, Modumetal employs 25 people, including interns from the university, and we are actively hiring as a result of a collaboration that we recently announced with a major steel company in the United States. I am—I hope to grow the company by about 15 percent over the coming months and am very optimistic about what the future holds for us.

The President. That's great. Congratulations. Now, let me just—on the grant that you received, one of the things that is really important for our economy long term is making sure we're investing in research and development. And the Recovery Act contained probably the biggest increase in research and development funding that we have seen in a very long time.

Just how important is it for you to be able to get that kind of seed money to engage in the new research that you're doing? Because part of what your company is all about is cutting-edge technology, and you can't just keep on doing the same things and expect to be able to compete in the global economy, is that right?

Ms. Lomasney. Absolutely. So seed funding for us is absolutely critical to our ability to build this company. We're starting with, as I mentioned, a new manufacturing technology that we began from scratch from a research concept, and we're building it up now and scaling up the manufacturing.

So these—this investment, this kind of investment and other kinds of investment that occur in our economy are absolutely critical to a company like Modumetal.

The President. That's great. I think—a lot of times I think we get in these ideological arguments about what the Government's role is in the economy. Now, none of us think that Government alone creates jobs. That's not its task. This economy has always thrived because of the private sector and entrepreneurship and people having an idea and running with it. But what historically has happened is, Government has had an important role in sparking, catalyzing new technologies, new research, that then the private sector is able to take over, part—some—partly because the private sector sometimes isn't willing to invest in really cutting-edge technologies on the front end. They're unproven; they don't want to take the risks.

And so whether it's the Internet or the bar code or you name it, a lot of that initial impulse has come from Government grants and Government funding like this. It doesn't mean that the Government then ends up creating the products or the technologies themselves, but it does give companies like yours a start in terms of being able to move forward.

And so we're very proud of the investments that we've made in research and technology, and we're going to have to keep on doing that in the years to come.

So—now, next we've got Jody Hall, who is the owner of Cupcake Royale. I don't know if she brought any samples. *[Laughter]* But just in case any of you are hungry, you might want to pay attention here. Jody?

Jody Hall. Well, thank you so much. It's such an honor to be here. My business is called Cupcake Royale, and I did bring some samples. But you have some fierce security, so somebody might be enjoying them—

The President. They—I suspect Secret Service confiscated them and are now eating them as we speak. *[Laughter]*

Ms. Hall. I see Duncan with a little bit of frosting on his—*[laughter]*. So yes, I did bring you some treats for the First Family as well, because everybody loves cupcakes.

But—so I started my business in 2003. We were actually the first cupcake bakery that I know of that opened outside of Manhattan. And so it was a risky move. I came from corporate America and grew up there and decided to kind of spread my wings and give it a try. And we did really well.

[Ms. Hall made further remarks, concluding as follows.]

So I guess the first thing I want to say is, just very quickly, I worked very hard with Senator Murray to pass and fight for small businesses for health care legislation reform, and you guys passed that, and I just have great respect for that. There is not one small-business owner that I know in the city of Seattle that I connect with that isn't looking forward to the implementation of the exchanges to reduce costs and bring higher quality insurance to small businesses. We need that. So thank you. Just have to say that.

The President. That's great. Good job, Patty.

[Ms. Hall made further remarks, concluding as follows.]

Ms. Hall. Patty was a great leader and took a very early start in the Senate, and obviously Congressman McDermott as well. So that said, I also worked with the Government to help me with my business. A year and a half ago, I had the opportunity to buy our fourth retail location

in Capitol Hill. We were able to open a bakery and a cafe there. And it allowed us to really grow our business. I did this through the SBA 504 loan, so I was able to purchase a building in Capitol Hill in one of the hottest spots in the city. I was only—I only had to put down 10 percent, versus, if I walked into a bank, probably 25 or 30 percent for somebody in my position and length of business and that kind of thing.

[*Ms. Hall made further remarks, concluding as follows.*]

So in the last 18 months, starting with this loan, we've been able to add 30 jobs. And I'm very proud of that.

And that, plus adding the Salted Caramel the day you were inaugurated, has really helped our business to thrive. [*Laughter*] I hear you're a big fan of salted caramel.

The President. Absolutely. [*Laughter*]

Ms. Hall. And that's what I brought you. So——

The President. Wonderful. Well, thank you so much. This is a wonderful story, Jody. And I just wanted to underscore something: Women-owned businesses have grown significantly faster than small businesses overall. But one of the challenges still ends up being financing.

And one of the things that the Small Business Administration has done really well is that they are three times more likely to provide loans to women-owned businesses than regular banks have been. And so the story that you told about being able to access financing for what obviously is a great product and a great business model is something that we want to continue to emphasize.

We had a big fight, some of you may remember, about a month, month and a half ago, where for 6 months, we'd been advocating getting more financing to small businesses through the SBA and other mechanisms, as well as cutting taxes on small businesses. We finally were able to get that through the Senate thanks to the hard work of folks like Patty. And that means that there are going to be companies like yours all across the country that are really going to be able to benefit.

And I'm really looking forward to trying your cupcakes. [*Laughter*] So, fantastic.

All right, the—now let's just open it up. So you can just raise your hands. We got a couple folks with mikes here. Don't be shy. Even though every word you say will be recorded—[*laughter*—by those people back there.

Health Care Reform/Economic Stabilization

Q. Hi, I'm Jordan Royer, and my wife Julianna is here with us. We have two daughters as well. So obviously, what you're talking about—education reform, science, mathematics—all of that is very important to us.

The President. Right.

Q. One of the things that I wanted to ask you, though, is, it seems like in the media, the stuff we're talking about—the health care reform, which we've supported, and some of the other things, the Recovery Act—there's a distortion that's happening on the facts in the media. And the media, in our view—my view—should be a referee on that. And we're not getting that. And I'm just wondering how we can help you, how—what your plan is, and Senator Murray's and the other elected leaders here. How do we get the facts out to people? Because it really is hurting us that these distortions continue in the public sphere.

The President. Well, look, I appreciate the question. First of all—I'll take health care first. Health care is just really big and complicated, and so the truth of the matter is, we knew going into the debate that it would be subject to distortions, particularly because there were a number of interests out there that were doing pretty well through the status quo.

And it's a multitrillion dollar business. And so if you're going to make significant changes to the system, it's going to have an impact on people's bottom lines. And they're going to fight back. And they did vociferously for a very long time. And that meant it was subject to some misleading information.

As we begin to implement, I think we're going to have a better chance of clarifying what health reform means. So let me be very specific. You've got about 4 million small businesses out there right now—even before we set up the exchanges—who stand to get a tax break of up to 35 percent of the premiums that they're paying if they're already providing health insurance to their employees. So right off the bat, that can mean tens of thousands of dollars that small businesses are able to reinvest in new plants, new equipment, hiring a few extra workers, just because of the tax provisions that were in the health reform act.

Once they start seeing those benefits, it's a little harder for them to argue, boy, this is a terrible thing. Senior citizens have already started receiving \$250 checks as a downpayment on us closing the doughnut hole for those who have difficulty paying for their prescription drugs and have significant need. And so we've already got millions of people across the country who are receiving it. So instead of them thinking there are going to be death panels, now they connect health reform with the fact that this is helping them on their prescription drug coverage.

Everybody here who has health insurance, what you're going to start discovering is that you now have a patient's bill of rights which didn't exist before and makes your insurance more secure. So everything from, if you have somebody in your family with a preexisting condition, being able to know that you can get coverage for them; to, if you've got a young person who's graduating from college and they don't get health care on their first job, being able to stay on your coverage until they're 26 years old; to insurance companies not being able to drop you when you get sick just because of some fine print or you making some technical error in filling out your application—all those changes are suddenly going to mean something for people as they start using them more.

Now, it also requires, though, us constantly beating the drum and being very clear about what exactly is in the bill. And, look, the challenge that Patty's facing, because she's in the middle of an election, Jim and others are facing, is that we've got now tens of millions of dollars in every media market that is just constantly sending out negative ads—not really specifying what it is exactly about the health care bill that they don't like, other than just sort of a knee-jerk assertion that it's socialized medicine or it's a Government takeover. And that, obviously, in the short term can have a negative impact on people's opinions.

Over the long term, as I said, when people start seeing its impact on folks, and I think as more and more people see that the traditional health care that they got through their employer is being threatened by higher premiums and higher deductibles and is less reliable than it might have been before, I think that we're going to look back 20 years from now and say this was absolutely the right thing to do.

When it comes to the Recovery Act, again, every specific provision in it people like. So if you say 40 percent of the Recovery Act were tax cuts—not tax hikes, but tax cuts—to small businesses, to 95 percent of working families, people say, well, that's a good idea.

Then we say, well, and then a big chunk of it was infrastructure so we can start rebuilding our roads and our bridges and our airport runways. And people say, well, I like that.

"Well, how about investment in clean energy so that the solar panels and wind turbines and electric cars are built here in the United States?" "Well, we fully support that."

"Well, how about help to the States so that they didn't have to lay off tens of thousands of teachers and police officers and firefighters?" "Well, we support that."

Well, that's the Recovery Act. What I just listed, that's what this was. And so I think that one of the challenges we had 2 years ago was, we had to move so fast, we were in such emergency mode, that it was very difficult for us to spend a lot of time doing victory laps and advertising exactly what we were doing, because we had to move on to the next thing.

And I take some responsibility for that. I mean, our attitude was, we just had to get the policy right, and we did not always think about making sure we were advertising properly what was going on. But I think that we have the opportunity now that the economy is more stabilized to be as clear as possible with folks about what we've done.

Last point I'll make. People have a legitimate concern, I think, about the debt and the deficits. And a lot of the emergency steps that we took in 2009 and then the first half of this year, it cost money and added to the deficit. So the key issue here is that had we not taken those steps, had we dipped into a depression, had unemployment gone up to 12 or 13 percent, then the deficit would have been even worse.

But that's kind of a hard argument to make. And I think people have a legitimate concern, a legitimate worry, as to what are we doing to start—now that we're out of the immediate crisis but we're only experiencing sluggish job growth at this point and sluggish economic growth—how do we get back to a point where we're living within our means? That's an entirely legitimate concern. It's a concern that I have. And we're going to have to have a serious debate over the next several years about how to do it.

The problem I have with the argument the way it's playing out right now in the country is that there's a suggestion on the other side that somehow the problem with our debt and our deficits all arose magically the minute I took office, whereas in fact, when I arrived at the White House, I was inheriting a \$1.3 trillion deficit. We had taken record surpluses last time there was a Democratic President and over the course of a decade moved to record deficits.

The big problems we have in terms of debt and deficits have to do with structural gaps between the amount of money we're taking in and the amount of money we're spending. And if we're going to get serious about the deficit, then we're going to have to look at everything: entitlements, defense spending, revenues. How do all those things fit together so that we can have a sustainable budget that invests in the things that we absolutely need for our long-term future and we stop funding some things that are nice to have but we can't afford.

And that's going to be a tough conversation, which is—it's interesting now when you listen to the Republicans talk about out-of-control Government spending, and then you ask them, "Well, what would you cut?" and there's this deafening silence. And they'll say things like, "Well, we'll roll back health care," except it turns out that, according to the Congressional

Budget Office, the health care bill is actually going to reduce our deficit by over a trillion dollars over the next 20 years. So that would add to the deficit.

Then they'll say, "Well, we'll pull back the unused portion of the stimulus." Well, first of all, that's—most of it has already been spent, and a big chunk of what hasn't been spent are actually tax cuts, which they say they're for.

And then they'll say, "Well, we'll roll back spending back to 2008 levels," without being clear that that would mean, for example, a 20-percent cut in education spending.

So one of the things that I think, as voters, everybody here should be doing is constantly asking people, when you say you want to get the budget under control, what exactly do you mean? What exactly are you going to do? And if they can't answer the question, then it means they're not serious about it.

All right. Right here.

Community Planning/Infrastructure

Q. Hi, Mr. President. My name is Emily East. And it's such a privilege to have this opportunity to talk to you.

The President. Thanks, Emily.

Q. I want to ask you a question about a program you implemented early on in your Presidency that doesn't really make it to the top of the headlines, per se—the sustainable communities program. And this is more getting to quality of life for middle class families. It's the idea that the Federal Government is going to invest kind of more comprehensively by a partnership between Transportation, Housing and Urban Development, and sustainable communities.

You did a fantastic job of incorporating that in the stimulus act, and actually, Seattle has received the benefit of that just recently with funding through the TIGER program, with Senator Murray's support, on the South Park Bridge, which is helping a community that really needs it.

Are you going to be—are we going to be seeing more of that kind of innovation, having the bureaucracy, if you will, talk to each other and be more systemic and thorough in how they're addressing communities to help us kind of live and work and be sustainable and have access to transportation, which will make all of our lives a little bit easier?

The President. Absolutely. And I appreciate you asking the question. Look, part of my goal is to figure out how do we make Government smarter. I don't want Government bigger; I want Government smarter, because a lot of what we do is not as efficient as it should be.

And so the idea behind sustainable communities is pretty simple. If you've got Department of Transportation over here, and you've got the Environmental Protection Agency over here, and then you've got—the social service agency is over here, and they're not talking to each other, and they're not planning together, and there's no coordination regionally between the city of Seattle, surrounding suburbs, then what you end up with is the sum being less than the whole of—or the whole being less than the sum of its parts.

And so what we want to do is make sure that there's just more efficient coordination and we're thinking through, if we're spending money on transportation, how do we do it in a way that is encouraging economic growth? How are we doing it in a way that is reducing sprawl?

How are we doing it in a way that makes commuting easier for people? How are we coordinating between various localities? And I think we've got a great opportunity to do more of this as we think about our future infrastructure needs.

One of the things that I've said would make a huge difference in us continuing the progress that we've made on economic growth and putting more people back to work is to finally tackle the huge backlog of infrastructure needs that we have, not just traditional infrastructure like roads and bridges and sewer lines and water mains, but also high-speed rail, also a smart grid that can help us get clean energy from one place to another in an efficient way where there's—we don't lose as much energy as we do right now with these old power lines that we have.

How do we make an air control system that reduces delays? I've got to admit, I don't fly commercial that much anymore. [*Laughter*] But from what I hear, it has not improved; it's not that pleasant of an experience.

So these are all areas where we've got a huge amount of progress to make. And if we have a serious agenda for infrastructure, and instead of politics determining where the money goes, we start giving some thought to how do we get the best bang for the buck, how do taxpayers get the best value for the money they're spending so that we don't build bridges to nowhere, but instead we're connecting people in the most effective way possible, then that can not only put people to work, but it also lays the foundation for long-term economic growth well into the future.

That's going to be a major focus that we have over the next couple of years. And my hope is we can get Republican support, because historically, the issue of infrastructure has always been bipartisan. And if we're thinking from a perspective of how do we make America competitive long term—people go to China right now, they come back, and they can't believe that China has better airports than us or they're building high-speed rail lines and we're not.

We used to have the best infrastructure in the world, and frankly, we can't make that claim any more. And I want us to get back to number one and put some people back to work in the process.

All right. Right here.

Energy

Q. Mr. President, I'm Nicey Hilton. I'm a neighbor down the street. And my question is regarding the future and being number one in the U.S. One of my fears is that we are not going to be competitive and we're going to shift our dependence from Mideast oil over to other countries that are innovating and manufacturing like crazy with alternative energy.

And I know we've done some work to encourage the U.S. to catch up, but I'm still concerned that we're already falling way behind, and that will affect the future for my children in terms of jobs and our economy.

The President. Well, it's a great question. Unfortunately, we haven't weaned ourselves off Middle East oil, so we're already—we're still sending the billions of dollars there. And we're falling behind when it comes to alternative energy.

We got a good start with the Recovery Act. We started investing in clean energy in projects all across the country. And I'll just give you one example of what we've been able to jump-start. When I came into office, the United States accounted for about 2 percent of the

market in advanced battery technology. Now, these are the batteries that go into electric cars and electric trucks and hybrids. We had 2 percent of the market.

And I said, well, if we're going to make an investment in the cars of the future, we should be making the parts here in the United States too.

And so we've started looking at who's got capacity to start building these advanced batteries, and through an investment in the Recovery Act, we are now on pace to have 40 percent of the market by 2015. So in a relatively short period of time, we have created advanced battery manufacturing plants, privately owned, all across the country. We've got the expertise to do it. We just didn't have the wherewithal to do it.

That shows you how fast we can turn things around if we're making good, smart, strategic investments. And I think that there's more that we can do next year. Part of it has to do with things like a renewable energy standard, for example, that's—local governments and the Federal Government are big purchasers of energy. So us being good role models by saying, we're going to buy more fuel-efficient cars, and we are going to be customers for these new nascent industries, that can make a difference as well.

Another good example of an area where we can make progress right away is making buildings more energy efficient. We can probably solve, at least theoretically, a huge chunk of the greenhouse gas problem just by making our buildings more energy efficient. And Erik's a contractor, so I haven't talked to him about this, but one of the things that I'd love to do is to see more and more contractors just be in the business of retrofitting homes to make them better insulated, have better HVAC units.

When I was here a couple of years ago, I went to a company called McKinstry—McKinstry, which is doing unbelievable work. It started off as a mom-and-pop operation and built itself up. It's got over a thousand employees now. And it goes to hospitals and schools and helps them figure out how can they save huge amounts of money by becoming more energy efficient.

A lot of families and businesses are interested in becoming more energy efficient, but the challenge they've got is finding the capital upfront. And so we've been talking about, at the legislative level, creating a program called HOME STAR, where families could get a tax credit or the money upfront to make these investments and then pay it back gradually as they saw their electricity bills go down.

So there are a lot of creative ways that we can jump-start this industry. I think people are really interested in it. But you're absolutely right; right now we're behind. We invented a lot of technologies where we are now no longer the leader—solar energy, wind energy—and that's something that I'm determined to change.

But Government is going to have to play a role in helping to jump-start a lot of investment from the private sector that will eventually come in, once they know that there's going to be a market for this clean energy.

All right, yes, sir. You've got a mike right behind you.

Trade

Q. I'm Cliff Eckman. I'm Cynnie's father, and Erik is my son-in-law.

The President. You've got some cute granddaughters.

Q. And I have some very cute granddaughters. Yes, we're very proud of them. Anyway, we'd like to welcome you to the Northwest. And you may not hear this very often, but I would like to say we're very proud that you're our President.

The President. Well, I appreciate that. Thank you. Thank you very much. Thank you.

Q. Many of us feel that way.

The President. Thank you.

Q. But my question is, it seems like—I was just reading that our trade deficit, announced in August, was like \$46 billion; \$28 billion of that was with China. And it seems to me one of the big problems are import tariffs. We have—a lot of countries, such as China, Korea, Japan, many European countries, have import tariffs that protect their industries. That's one question, and what can we do about that. And the other is the export of jobs that happen with corporations, and they get tax benefits for it, which doesn't make a lot of sense to me.

The President. Well, look, they're both great questions. And I'll take the second one first. We've got a bunch of tax loopholes, a bunch of provisions in the Tax Code that actually encourage companies to invest and keep profits overseas. They've been on the books for a long time.

Jim, Patty, others have consistently voted to close these loopholes. It has been consistently resisted by the other side. In fact, one of the ways that we were able to get some help to local governments to keep teachers on the payroll this summer was by closing one of the most egregious loopholes that even some of the companies who were getting the benefit admitted really didn't have any logic to it. But the other side voted against us. We were able—we had to really fight to get it done.

So I want tax breaks to go to companies that are investing here in the United States—investing in research, investing in development. And that—that's common sense. And that's what every other country does. Every other country structures their tax code so that you have an incentive to invest there and create jobs there. We should be doing the exact same thing.

Now, when it comes to trade, I'm a big supporter of trade. And obviously, Seattle and the Pacific Northwest generally benefits greatly from trade. And we don't want to build a wall between ourselves and other countries. I think we've got the best workers on Earth; we've got the most innovative entrepreneurs here; we've got unbelievable universities. There's no reason why we can't compete with anybody on anything around the world.

But it's got to be structured so that it's fair. And frankly, because we were—we used to be so big and other countries were so far behind, when a lot of the trade rules were initially set up, I think we neglected to drive as tough of a bargain as we could have, just because the feeling was, well, if China is making low-wage—or low-skill, assembly-line toys, that's not a huge loss to the United States relative to our overall economy. But what we didn't understand was, if they're working hard, competing, advancing each and every year, then over time, they're going to try not just to be making toys, but then they want to make computers, and then they're going to want to make cars and—right? And they move up the value stream of the economy.

And if we have the same rules as we had, where they're able to keep our products out but we're wide open to any products they want to send in, then we're going to be at a huge disadvantage. And we have seen that disadvantage grow and grow over the last several decades.

So what I've said is, I am for trade, but it has to be reciprocal. If you want to sell cars here in the United States, then we've got to be able to sell cars in your markets. If you want to be able to sell manufacturing goods where having low-wage workers is a big advantage to you, then we've got to be able to sell services that take advantage of our knowledge and our high-skill workers, and we've got to be able to go into your markets, and you can't protect them.

And that's going to be, I think, a major debate that's going to be coming up over the next couple of years. Now, this is going to be a tough debate because I think a lot of people, their instinct is, well, trade just doesn't work for us generally, and so a lot of people are going to want to, I think, close our borders or slap on huge tariffs on other countries.

My attitude is not that I want to end trade; I want to grow trade, I want to expand trade, I want to double our exports. We've set a goal of doubling our exports, but I want to do so by driving a better bargain with our trading partners. And the truth of the matter is, they probably expect it. They're trying to figure out why we've been such pushovers for the last couple decades anyway. *[Laughter]* It doesn't make sense.

All right, yes. Go ahead.

Education Reform

Q. Mr. President, forgive me for having my notes. But first I want to let you know how much I applaud your efforts on behalf of this country.

The President. Thank you so much.

Q. And as a mother, former foster parent, and now a kindergarten teacher here in the Seattle area, I've seen the impact of limited resources on our educational system. Our schools are in disrepair. The teachers in my school, we work long hours. And throughout the district, we're dealing with crowded classrooms. And despite this effort, many students are not academically prepared to participate, innovate, and compete in this workforce.

And I realize the economy is in dire straits and our limited dollars are stretched pretty thin. But what can you do at a national level to support teachers at the regional and local level? And by the way, have you and Michelle seen—or had a chance to see—"Waiting for 'Superman'"?

The President. Well, Michelle and I did see "Waiting for 'Superman.'" I got to admit, that's another good deal of being President, is, like, everybody sends you their movies ahead of time. *[Laughter]* And so we get them on DVD before they hit the theaters. *[Laughter]*

And it was a powerful movie. Not only did we see the movie, but we actually—I was so moved by the kids in the movie that I invited them to the Oval Office. And they came and visited, and we had a wonderful time. And they're all doing well. Not surprisingly, once they were in the movie, suddenly everybody rallied to make sure that they could get into a terrific school.

But of course, there are millions of kids like that who are talented, curious, energetic, and yet right now are still trapped in schools that don't work well.

Now, we're not going to transform our education system overnight. It took us decades to get to where we are; it's going to take us a while to get to where we need to be. But here's what we know. We used to rank number one in proportion of college graduates; we now rank ninth. We used to be at the top when it came to math and science education; we're now 21st and 25th, respectively, in the world when you test 15-year-olds. That's a recipe for disaster. So

there's nothing more urgent than for us to make sure that our education system is working effectively.

Part of it is a resource issue. Part of it is also a reform issue. And unfortunately, over the last couple of decades, we've had a debate where some people argue, just give us more money, and other people argue, just blow up the system, instead of recognizing it's both. We've got to make investments in education, but we also have to make sure that the money is well spent.

So what we did was we designed something called Race to the Top, and the concept's pretty simple. Most Federal money going to education—and education accounts for about 7 percent of overall spending on education because most of it's locally funded—but most of that money is allocated through a standard formula, and it's designed to help particularly schools that have less of a resource base.

But what we said was, how about pulling out a few billion dollars and creating a competition? So schools are still going to get their formula-based funding, but if you want some extra money, then we want you to show us that you're pursuing aggressively a reform agenda that focuses on what we know works, which is having high standards, making sure that there's accountability, making sure that we are investing in great teachers and focusing on low-performing schools and making them transform themselves so that they're not just accepting, year after year, 50-percent dropout rates or kids reading at 3 grade levels behind where they should be.

And lo and behold, with this relatively small pot of money, because schools all across the country were so interested in competing, we saw already 46 States have initiated legislative changes to move forward on reform. And not every State has won the competition—it's designed to be a competition—but what it's done is made everybody look more carefully at are we doing things smart, are we doing things right when it comes to educating our kids.

We want to continue that Race to the Top agenda. And as I said, the single most important ingredient for improving our education system is our teachers, making sure we're investing in them. And my sister is a teacher. She's taught in some very tough public schools. So I know how hard teachers work. And the vast majority of them go into it not for the money; they go into it because they care deeply about kids and they love their jobs.

But a lot of them don't get the training that they need. They don't get the support they need. They don't have the professional development that they need. A lot of math teachers didn't major in math in school; a lot of science teachers didn't major in a scientific subject in school. And so we've got to make sure that we're constantly investing in them and also holding them accountable.

If we're not seeing a good enough performance, then we've got to say, you know what, here's how you can improve, and give them concrete ways so that they can up their game, because that has the single biggest impact in terms of kids.

Now, the last thing I'll say is just on higher education—I already mentioned this. We have shifted, in a deficit-neutral way, billions of dollars into our student loan programs, into our community colleges. It is making a huge difference for millions of students all across the country.

And it was a pretty simple proposition. For years, we had a system in which the student loan program went through banks and financial intermediaries who would take a fee, even though they were taking no risk, because these were all federally guaranteed loans.

And so we said, well, why would we do that? Why wouldn't we just send these loans directly to the students? If these banks and these financial intermediaries want to help administer the program, then we can hire them for that purpose, but they shouldn't be making a profit off the loans themselves.

And we're—we've saved \$40 billion now that is going to go, over the next several years, directly to students who—in the form of bigger loans, more students getting loans. It can make a huge difference. And that's an example of not making Government bigger, just making it work smarter.

And those are the kinds of agendas that I think Patty and I and Jim and others want to pursue further over the next couple of years. All right?

How much time do we have? I just want to make sure. Sometimes I get scolded by my team. [Laughter] Time for one more. There he is. There's Marvin. I'm going to go back here.

Health Care Reform/Education

Q. Thank you so much for being here today and doing this. And I apologize for reading, but this is so very personal and so very important for the women that I work and care for. And I'm a nurse practitioner, nurse midwife, working at a community health center, Planned Parenthood. My clients range between 13 and 16 years of age.

The women I see, about three-quarter, rely on State programs or pay out of pocket, and a quarter have health insurance in varying degrees, mostly catastrophic. As a health clinic, we are reimbursed 50 percent or less for DHHS Medicaid patients. We are one of the few providers who do not cap our Medicaid patients, even though the reimbursement is so low.

How will coverage between now and 2014, when more patients will need to be on government programs, not bankrupt our community public health clinics?

The President. Well, first of all, part of our goal is to make sure that there are more people who are able to get health insurance for the job—through their job, or through these health exchanges that we're going to be setting up by 2014. So ideally, that will drive down the number of folks who are uninsured and where you are giving uncompensated care. So that is important.

Right—this notion that somehow we did something radical because we shouldn't have Government-run health care—the fact is, is that right now there's all kinds of Government-run health care. There's Medicare, there's Medicaid, and then there's emergency room care that indirectly we pay for, one way or another, either because we are subsidizing hospitals that have a lot of uncompensated care or because all of our premiums are higher since hospitals have to figure out some way of paying for it or clinics have to figure out some way of paying for it. So what they do is they just charge people who do have insurance a little bit higher. On average, everybody pays \$1,000 per family in higher premiums to pay for other people. It's a tax; you just don't know it. And it's administered not through the Government, but through your insurance premiums.

So part of our goal is to make sure, A, that more people have basic coverage; B, that means that more people have preventive care. And if some of your clients have preventive care—I mean, you know this better than I do—then they're not coming in with diseases that could have been managed very early and much less expensively.

And diabetes is a classic example. The number of people who have diabetes because they're grossly overweight, they didn't catch it fast enough, they haven't changed their eating habits and that, had they gotten some effective care on the front end, could have avoided it entirely, is astronomical. It adds huge amounts of money to our health care bill overall.

So we want to emphasize prevention. We want to give people more options in terms of being able to be covered in the first place. And then we also have to make sure that Medicaid and Medicare doctors and providers are effectively reimbursed.

And frankly, what's happened historically is, when States or the Federal Government run short on money, what they do is they just say, well, you know what, we'll just pay 70 percent or 60 percent of what the costs are, and we'll make the providers figure it out.

And as a consequence, you got more and more providers who are not taking Medicaid patients. And if we don't fix the reimbursement formula for Medicare, you're going to have a bunch of doctors and hospitals who are going to start declining Medicare patients too, which is a scary proposition.

So—now, that's—keep in mind, that's expensive. And so part of what health reform is about is figuring out how can we make sure that every provider gets every dollar that they need for quality care that they are providing.

On the other hand, let's make sure that the care that's actually being provided is improving the health of the patients, as opposed to just being a hidden way for providers to get more money.

And what I mean by that is—let me—and I don't want to get too technical here, but I'll try to give you a simple example. It turns out that there are a lot of tests that are done that probably aren't needed, but because the system is so inefficient and because providers get reimbursed for a lot of these tests, that we're probably paying more than we should just on testing that doesn't improve the quality of care.

And part of the health reform act is going to have doctors and medical experts say, what's the best way to care for a patient with a particular ailment? And let's start reimbursing doctors for the overall outcome, as opposed to the number of procedures that they're doing.

That way, it may turn out we'll have fewer procedures, but overall, a better outcome. And providers will get full reimbursement for those things that are effective. They may not get reimbursement for things that have been shown to be less effective.

Now, all these changes are not going to happen overnight. They're going to take some time because this system has been such a mess for such a long time, that making it more rational is something that will take several years. But I'm optimistic we can do it. And I appreciate the great work that you're doing. So tell everybody, all your coworkers, help's on the way. *[Laughter]*

This has been a terrific conversation. I want to close just by telling you something that happened this week that was, I think, the highlight of my week.

I had a—we hosted the first White House science fair at the White House because we realized, when the Lakers win the NBA championship, we have them over to the White House. And when the Alabama Crimson Tide wins the national championship, we have them over to the White House. And when these incredible young people are winning international science competitions or participating in these national competitions, nobody's acknowledging them.

And that's sending the wrong message about what's going to be the most important thing to allow us to compete into the future.

So we had this national science competition. And a select group of them set up displays in the State Room in the White House. And it was unbelievable watching these kids. I mean, you had a young woman who was—had designed a energy-efficient car and had a scale model that was made out of some material that I had never heard of before.

You had a group from Tennessee that had designed this water purification system that was self-generating through a water wheel. And the whole thing was only about yea big, but it could provide filtered water for 60 families very cheaply.

These are all high school kids, by the way. You had this—a couple of these Latino kids who had designed this chair for doing therapy for people who are disabled that they had designed from scratch because they had seen a friend of theirs who was disabled and not had the equipment that he needed. And they didn't have a lot of money in the school, so they actually sold tamales to finance this project. First time they had ever been on a plane was actually to fly to the competition that they ended up doing so well on.

And then the last person I met—and there were others who were doing unbelievable stuff—but the last young woman I met, she was 16 years old. In her freshman year, she had taken biology, had gotten interested in the life sciences, was particularly interested in cancer treatment. So she decided, between her freshman and sophomore year, to teach herself chemistry in the summer because she was so anxious to get started on learning more about cancer treatments.

And she decided as a science project to try to invent a new cancer drug, because right now there are clinical trials and experimental treatments where you inject the drug into the cancer, and then it's activated by light, and it potentially will just kill the cancer cells without killing the healthy cells, unlike chemotherapy or radiation treatments.

And so—but apparently the ones that are being tested right now by all the big laboratories, they only can be used for skin cancer or places where the light can penetrate fairly close to the surface.

So she literally designed a new drug, won the international science competition, and now is being contacted by all these laboratories around the world who are working on this—these types of drugs. She's very smart. *[Laughter]* She's 16 years old. She hasn't graduated from high school yet.

Here's the point: When you talk to these young people, you felt so optimistic about America. You felt like there's nothing that can stop us. If we can just harness that energy and that ingenuity, and if we're investing in those kids and we're giving them a chance and they're able to start their own businesses and their own engineering firms, and if they're in the classroom teaching younger kids that same sense of wonder and excitement, there's nothing we can't do.

And I think that's important to remember because we've gone through a very difficult time over the last couple years. But there are kids like that all across the country. And if we create the right conditions for them, they will make sure that the 21st century is the American century just like the 20th was.

Thank you so much, everybody. Appreciate you.

NOTE: The President spoke at 10:01 a.m. at the Foss residence. In his remarks, he referred to his sister Maya Soetoro-Ng; White House Trip Director Marvin Nicholson; and White House science fair participants Mikayla Nelson of Billings, MT, Mathilda Lloyd of Kingston, TN, Samuel Snodgrass and Sonja Solomon of Oak Ridge, TN, Diego Vazquez and Antonio Hernandez of Phoenix, AZ, and Amy Chyao of Plano, TX. A portion of these remarks could not be verified because the audio was incomplete.

Categories: Addresses and Remarks : Seattle, WA, question-and-answer session.

Locations: Seattle, WA.

Names: Chyao, Amy; East, Emily; Eckman, Cliff; Foss, Anna; Foss, Cynthia "Cynn timer"; Foss, Elsa; Foss, Erik; Gregoire, Christine O.; Hall, Jody; Hernandez, Antonio; Lloyd, Mathilda; Lomasney, Christina; McDermott, James A.; McGinn, Michael P.; Murray, Patty; Nelson, Mikayla; Nicholson, Marvin; Obama, Malia; Obama, Michelle; Obama, Natasha "Sasha"; Snodgrass, Samuel; Soetoro-Ng, Maya; Solomon, Sonja; Vazquez, Diego.

Subjects: Armed Forces, U.S. : Funding; Aviation : Air traffic control system, modernization; Budget, Federal : Congressional spending restraint; Budget, Federal : Deficit and national debt; Budget, Federal : Entitlement spending, reform; Business and industry : Credit freeze situation; Business and industry : Domestic investment, proposed tax breaks for; Business and industry : Global competitiveness; Business and industry : Small businesses :: Economic impact; Business and industry : Small businesses :: Promotion efforts; Business and industry : Small businesses :: Small Business Jobs Act of 2010; Business and industry : Wage discrimination; Business and industry : Women-owned businesses; Civil rights : Wage equality; Civil rights : Women's rights and gender equality; Commerce, international : Free and fair trade; Commerce, international : U.S. exports :: Expansion; Commerce, international : U.S. trade imbalances; Economy, national : American Recovery and Reinvestment Act of 2009; Economy, national : Economic concerns; Economy, national : Household incomes, decline; Economy, national : Improvement; Economy, national : Recession, effects; Education : Global competitiveness; Education : High school dropout rate; Education : Postsecondary education :: Affordability; Education : Postsecondary education :: Community colleges; Education : Postsecondary education :: Pell grants; Education : Postsecondary education :: Student loans, elimination of subsidies to private providers; Education : Science and math programs; Education : Standards and school accountability; Education : Teachers; Education, Department of : Funding; Education, Department of : Race to the Top Fund; Employment and unemployment : Job creation and growth; Employment and unemployment : Job losses; Energy : Alternative and clean energy products and technologies, Federal Government use of; Energy : Alternative energy products and technologies, U.S. production; Energy : Battery technology for hybrid automobiles; Energy : Energy-efficient homes and buildings; Energy : Foreign sources; Energy : HOME STAR program; Energy : Infrastructure and grid improvements; Energy : Solar and wind energy; Health and medical care : Affordability and costs; Health and medical care : Affordability and costs ; Health and medical care : Employer-based health insurance coverage; Health and medical care : Health insurance exchange; Health and medical care : Health insurance reforms; Health and medical care : Hospitals :: Medicare and Medicaid reimbursement; Health and medical care : Hospitals :: Reimbursement for treatment of uninsured patients; Health and medical care : Insurance coverage and access to providers ; Health and medical care : Insurance coverage and access to providers; Health and medical care : Medicare and Medicaid; Health and medical care : Patient Protection and Affordable Care Act; Health and medical care : Physicians :: Medicare and Medicaid

reimbursement; Health and medical care : Preventive care and public health programs; Health and medical care : Seniors, prescription drug benefits; Health and medical care : Small businesses, tax credits to purchase insurance coverage; Health and medical care : Young adults, insurance coverage as dependents, age limit extension; Housing : Housing market :: Decline; Housing and Urban Development, Department of : Sustainable Communities Initiative; Science and technology : Research and development; ; Health and medical care : Patient Protection and Affordable Care Act; Taxation : Overseas tax havens, efforts to combat; Taxation : Tax Code :: Reform; Taxation : Tax relief; Transportation : High-speed rail lines, development and expansion; Transportation : Infrastructure, national, improvement efforts; Washington : President's visit; White House science fair.

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